

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 L-03 SS-15 INR-07 /042 W
----- 099346
R 240405Z AUG 76
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 798

C O N F I D E N T I A L SECTION 1 OF 2 TAIPEI 5757

STADIS//////////

E.O. 11652: GDS
TAGS: ETRD, TW, US
SUBJECT: SECTION 301 PETITION FILED BY CHARLES REHFELDT,
LAI FU TRADING CO., LTD.

REF: TAIPEI 5358, TAIPEI 5382

1. MINISTER OF FINANCE WALTER FEI ASKED ECON COUN TO MEETING
AT MINISTRY AUGUST 23 TO DISCUSS ARTICLE WHICH APPEARED
TAIPEI NEWSPAPERS AUGUST 21 AND 22. TEXT OF ARTICLE AS IT
APPEARED IN CHINA NEWS FOLLOWS:

QUOTE: WASHINGTON--(UPI)--

'PRESIDENT GERALD FORD'S ADMINISTRATION IS CONSIDERING TAKING
STIFF ECONOMIC ACTIONS AGAINST THE REPUBLIC OF CHINA BECAUSE
TAIWAN HAS SHARPLY INCREASED IMPORT DUTIES ON U.S. MANU-
FACTURED ELECTRICAL APPLIANCES, DIPLOMATIC SOURCES SAID
FRIDAY.

'THE SOURCES SAID, HOWEVER, NO FINAL DECISION HAS BEEN MADE
AND THE EXACT NATURE OF THE COUNTERACTION HAS NOT BEEN DECIDED
UPON.

'BECAUSE THE ISSUE IS STILL UNDER REVIEW, ADMINISTRATION
SOURCES WOULD NOT DISCLOSE WHAT SPECIFIC ACTIONS ARE BEING
CONTEMPLATED.

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'HOWEVER, IT WAS UNDERSTOOD THAT ONE MEASURE BEING CON-

SIDERED IS REMOVAL OF THE REPUBLIC OF CHINA FROM PART OR ALL OF THE GENERAL SYSTEM OF PREFERENCES, UNDER WHICH SPECIAL DUTIES ARE PERMITTED ON CERTAIN TYPES OF GOODS EXPORTED TO THE U.S. MARKET.

'SOME ADMINISTRATION OFFICIALS SAID, HOWEVER, THEY BELIEVE SUCH ACTION WOULD BE TOO SEVERE AND FAVOR ALTERNATIVE ACTIONS. THEY WOULD NOT DIVULGE WHAT THE ALTERNATIVES MIGHT BE.

'NO FINAL DECISION WAS EXPECTED UNTIL NEXT WEEK AT THE EARLIEST, SINCE LEADING ADMINISTRATION OFFICIALS ARE STILL RETURNING FROM THE REPUBLICAN NATIONAL CONVENTION IN KANSAS CITY AND ARE NOT EXPECTED IN THEIR OFFICES UNTIL NEXT WEEK.

'THERE WAS SOME INDICATION THE DECISION WAS DELAYED BECAUSE OF FORD'S BATTLE WITH FORMER CALIFORNIA GOV. RONALD REAGAN FOR THE REPUBLICAN PRESIDENTIAL NOMINATION. THE RACE WAS SO CLOSE, SOME DIPLOMATIC SOURCES SAY THAT THE ACTION AGAINST TAIWAN WAS POSTPONED IN ORDER NOT TO DISTURB CONSERVATIVE REPUBLICAN DELEGATES. FORD WON THE NOMINATION.

'CHINESE EMBASSY TRADE OFFICIALS CONFIRMED THAT NO FINAL DETERMINATION HAD YET BEEN REACHED.

' "AT LEAST I AM SURE THAT IS SAFE TO SAY AT THE MOMENT", THE DIPLOMAT SAID.

'THE CHINESE DIPLOMAT SAID THAT ACTIONS LESS SEVERE THAN REMOVING TAIWAN FROM THE GENERAL SYSTEM OF PREFERENCES WERE LIKELY. HE SAID DISCUSSIONS ON THE TYPE OF COUNTERACTION TO BE TAKEN BY THE U.S. WERE EXPECTED.

' "ACTION IS NOT IMMINENT", THE CHINESE DIPLOMAT SAID, "IF THE PARTIES DETERMINE THAT WE ARE CHARGING TOO MUCH DUTY, THE TYPE OF COUNTERACTION IS ALSO FLEXIBLE".

'ADMINISTRATION OFFICIALS ARE KNOWN TO BE DISTURBED OVER TAIWAN'S EARLIER DECISION TO SHARPLY INCREASE THEIR IMPORT DUTIES ON U.S.-MADE COLOR TELEVISION SETS AND OTHER HOUSEHOLD ELECTRIC APPLIANCES.

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'THE REPUBLIC OF CHINA ORIGINALLY PLANNED TO INCREASE THE DUTIES FROM 33 PER CENT TO 60 PER CENT. REACTION OF U.S. OFFICIALS AND MANUFACTURERS WAS SO NEGATIVE, HOWEVER, THAT TAIWAN ROLLED BACK THE DUTY TO 45 PER CENT. BUT THAT STILL WAS UNACCEPTABLE TO THE ADMINISTRATION.

'UNDER THE GENERAL SYSTEM OF PREFERENCES, THE U.S. IMPOSES

ONLY A FIVE PER CENT IMPORT DUTY ON TELEVISION SETS MADE IN
TAIWAN. UNQUOTE.

2. FEI STATED THAT FOLLOWING APPEARANCE OF UPI ARTICLE HE
CABLED ROC EMBASSY IN WASHINGTON FOR REPORT ON ACTIONS USG
MIGHT BE CONTEMPLATING IF GROC DOESN'T FURTHER LOWER DUTIES
ON US-MANUFACTURED TV RECEIVERS AND APPLIANCES. ROC EMBASSY
REPORTEDLY REPLIED THAT IT WAS UNABLE TO SHED ANY LIGHT ON
THE MATTER. FEI WONDERED IF THIS MEANT THAT USG WAS HAVING
SECOND THOUGHTS ABOUT TAKING RETALIATORY ACTION UNDER SECTION
301. MINISTER WAS TOLD THAT EMBASSY HAD NO REASON TO BELIEVE
THAT IDEA OF RETALIATORY ACTION WAS BEING DROPPED. AS FAR AS
EMBASSY WAS AWARE USG POSITION REMAINS THAT CONTAINED IN
JULY 23 LETTER, A RESPONSE TO WHICH STILL HAS NOT BEEN RECEIVED.

3. AUGUST 23 NEWSPAPERS IN TAIPEI CARRIED ACCOUNT OF CHINA
ECONOMIC NEWS SERVICE INTERVIEW WITH WANG CHOU-MING,
DIRECTOR OF CUSTOMS ADMINISTRATION OF MINISTRY OF FINANCE.
WANG REPORTEDLY STATED THAT ROC DOES NOT DISCRIMINATE AGAINST
IMPORTS OF US-MANUFACTURED TV RECEIVERS AND APPLIANCES.
CURRENENT DUTY OF 45 PER CENT APPLIES TO IMPORTS OF SUCH ITEMS
FROM ALL COUNTRIES. DUTY WAS SET AT 60 PER CENT EARLY IN
1976 AS AN AUSTERITY MEASURE, BUT ON JULY 1, 1976, IT WAS
LOWERED TO ORIGINAL LEVEL OF 45 PER CENT AT REQUEST OF USG.
YET "CERTAIN AMERICAN AGENTS" HAVE DEMANDED THAT DUTY BE
LOWERED TO 33 PER CENT, A REDUCTION WHICH THE GROC IS NOT
PREPARED TO APPROVE. WANG REPORTEDLY ALSO STATED THAT THE
GROC HAS NOT RECEIVED FORMAL NOTICE FROM THE USG ABOUT

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ACTION EA-09

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TO SECSTATE WASHDC 799

C O N F I D E N T I A L SECTION 2 OF 2 TAIPEI 5757

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SPECIFIC RETALIATORY ACTIONS. WANG SUGGESTED THAT IN CONTEMPLATING SUCH ACTIONS, THE USG SHOULD CONSIDER THAT: (A) CURRENT IMPORT DUTIES IN SOUTH KOREA AND THE PHILIPPINES ON TV RECEIVERS AND APPLIANCES FROM THE U.S. ARE MUCH HIGHER THAN IN THE ROC, (B) IF THE GROC FURTHER LOWERS IMPORT DUTIES ON THOSE ITEMS THE JAPANESE WILL BENEFIT MORE THAN THE U.S., AND (C) THE 5 PER CENT IMPORT DUTY ON TV RECEIVERS AND APPLIANCES IMPOSED BY THE USG UNDER THE GSP DOES NOT APPLY SOLELY TO IMPORTS FROM THE ROC.

4. TAIPEI PRESS ON AUGUST 23 ALSO CARRIED ARTICLE ON AUGUST 23 REGARDING ROC IMPORTS FOR FIRST SIX MONTHS OF 1976 OF "ELECTRICAL EQUIPMENT", WHICH INCLUDES APPLIANCES FROM U.S. ACCORDING TO CENTRAL BANK OF CHINA (CBC), SUCH IMPORTS TOTALLED U.S. DOLS 93.4 MILLION, COMPARED WITH U.S. DOLS 148 MILLION FOR ALL OF 1975. THE CBC ESTIMATES THAT CY 1976 IMPORTS WILL TOTAL AT LEAST U.S. DOLS 200 MILLION. CBC ALSO REPORTED THAT ROC IMPORTS OF TV RECEIVERS IN FIRST SIX MONTHS OF 1976 WERE VALUED AT IF DOLS 44 MILLION, A FIGURE NEARLY EQUAL TO TOTAL IMPORTS IN 1975. THE BULK OF THESE RECEIVERS, ACCORDING TO CBC, CAME FROM THE U.S.

5. COMMENT. IT SOULD BE OBVIOUS BY NOW THAT GROC HAS ITS BACK UP ONVER WHAT IT CONSIDERS UNFAIR U.S. CONDEMNATION OF ITS IMPORT PRACTICES. IT DOES NOT UNDERSTAND WHY IT IS BEING SINGLED OUT FOR POSSIBLE RETALIATORY ACTION WHEN NEIGHBORING COUNTRIES IMPOSE SIGNIFICANTLY HIGHER DUTIES. PURSUANT TO STANDING INSTRUCTIONS, EMBASSY WILL CONTINUE TO URGE GROC TO CONFIDENTIAL

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LOWER DUTIES TO LEVELS WE REQUESTED IN JULY 23 LETTER AND GROC MAY EVENTUALLY ACCEDE TO OUR REQUESTS, EITHER BECAUSE OF FEAR OF RETALIATORY ACTIONS OR BECAUSE IT RECOGNIZES THAT LAI FU CASE IS A COMPARATIVELY SMALL FACTOR IN TOTAL US-ROC TRADE. MINISTER FEI FRANKLY IS PUZZLED WHY REHFELDT HAS BEEN ABLE TO COMMAND SO MUCH ATTENTION. THE MINISTER OBVIOUSLY HAS NEVER HEARD OF THE BROMIDE ABOUT THE SQUEAKY WHEEL AND THE GREASE.
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